Chapter 4
Slovakia: Rough beginnings followed by some stabilisation

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1. Introduction

Slovakia, as a central European post-communist country, has gone through several changes and important stages since becoming an independent state in 1993. Under Vladimír Mečiar's governments (between 1992 and 1998), the transformation from a state socialist, centrally planned economy to a capitalist market economy was driven by the creation of domestic capitalists and involved corruption and the targeted bankruptcies of privatised companies. An economic downturn at the end of the decade led to a rise in the unemployment rate from under 12 per cent in 1997 to 18.6 per cent in 2000. A subsequent change in policy direction included important reforms in the banking sector in relation to privatisation and in opening up to foreign investors (Kahancová and Sedláková 2018: 350; Pula 2018: 175). These policies were important for the westernisation and democratisation of the country (Bohle and Greskovits 2012: 145-148). In the following years, inward FDI increased rapidly since, as argued by Pula, Slovakia adopted a clearly outward-facing policy orientation and saw the gains from rapid international integration (Pula 2018: 169, 175). In the early 2000s, Slovakia – like other Visegrád countries – became heavily dependent on foreign investment in key economic sectors while competing to attract greenfield investment projects (Duman and Kureková 2012: 1223-1224; Greskovits 2010: 152).

Slovakia thereby joined those countries that have become particularly dependent as regards their market dynamism on foreign multinational manufacturing and retail companies, leading to a frequent characterisation of them as 'dependent market economies' (Myant 2020: 5). Slovakia can be described as an 'assembly platform', serving primarily as a site for the downstream, low-cost, low-skill assembly of foreign inputs relying on imported capital goods. These mass-production technologies require little creative contribution from workers while management work similarly depends on steering employees on the basis of organisational models and practices imposed from abroad while crucial decisions regarding production happen outside the country (Pula 2018: 155-157).

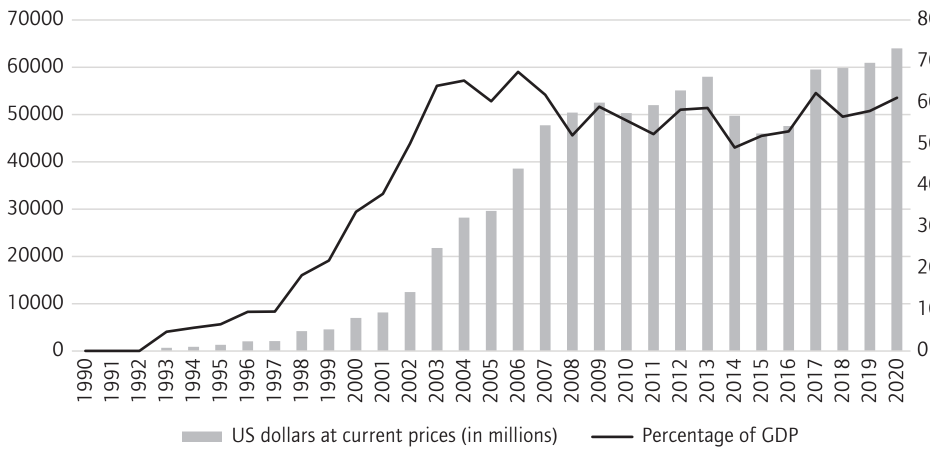
As in other chapters, the impact of these MNCs on the industrial relations system is followed in the key automotive and retail sectors on the basis of case studies, researched by using published sources and interviews with trade union representatives, listed in the Annex. The central questions concern how trade unions operate in the negotiation process with MNCs located in Slovakia; the main activities of MNCs with regard to the industrial relations system of Slovakia; and the actors who are related to this system.

2. Multinational companies and industrial relations in Slovakia

The level of inward FDI in a country depends on its economic and infrastructural attractiveness (Hany 1995: 39). Slovakia's relative attractiveness, uniquely among the countries of the region, decreased between 1994 and 2000 with a negative impact on the amount invested in the country. Attractiveness is strongly related to political and economic stability, as well as the size of the national market (Hošková 2001: 17), while a major discouragement was the form of rule under Vladimír Mečiar (Kahancová and Sedláková 2018). The policy orientation changed after the election in 1998 and especially under the right-wing government from 2002. The results in terms of inward investment are shown in Figure 4.1.

The low level of FDI between 1993 and 1999, albeit with an acceleration towards the end of that period, led to a rise in the stock of FDI from 4.65 per cent of GDP to 21.85 per cent. That stock increased rapidly particularly in the next decade and was equivalent to 61.18 per cent of GDP by 2020.

Figure 4.1 **Foreign direct investment in Slovakia: inward stock, annual**



Source: UNCTAD database, https://unctadstat.unctad.org/EN/About.html

The industrial relations scene as MNCs arrived in Slovakia was already undergoing changes, notably with a decreasing trend in the measurable indicators of employee representation in the workplace. The trade union density rate, as shown in the ICTWSS database, fell from 70.7 per cent in 1993 to 32.3 per cent in 2000 and to 10.7 per cent in 2016.[1] Collective bargaining coverage similarly fell from 51 per cent in 2000 to 24.4 per cent in 2015.[2] Total trade union membership has been reported as standing approximately at 275 000 (ETUI 2021).

1. https://www.ictwss.org/downloads
2. https://www.ilo.org/shinyapps/bulkexplorer29/?lang=en&segment=indicator&id=ILR_CBCT_NOC_RT_A

The main and biggest trade union confederation, with approximately 243 000 members, is Konfederácia odborových zväzov Slovenskej republiky (KOZ SR; Confederation of Trade Unions of the Slovak Republic), formed in 1990 as a successor to the single Czechoslovak trade union federation from the communist era. KOZ SR is affiliated to both the ETUC and the ITUC. Its biggest affiliate is Odborový zväz KOVO (OZ KOVO; Metalworkers Federation KOVO), which is affiliated at international level to IndustriALL.

KOZ SR is also represented in national level tripartite social dialogue. The precise form of the tripartite body has varied at times since its establishment in the early 1990s, but it provides a channel for communications between employer organisations (seven representatives of four organisations in 2021), trade unions (seven representatives) and government. The trade union seats were occupied by KOZ SR until 2021 when a change to the labour code, aimed at opening up the tripartite body to other employee representatives (Kahancová and Martišková 2021: 2-4), led to one seat going to a new confederation, Spoločné odbory Slovenska (SOS; United Trade Unions of Slovakia), founded in 2018.

Collective bargaining takes place at sectoral and company levels, with agreements at the former registered and collated by Ministerstvo práce, sociálnych vecí a rodiny Slovenskej republiky (MPSVaR; Ministry of Labour, Social Affairs and Family). Its Annual Report in 2021 showed that 11 sectoral collective agreements and 11 amendments to sectoral agreements, a total of 22, were registered in 2020. Eight of the sectoral agreements were signed in the private sector and three in the public sector; while all the 11 amendments related to the private sector (MPSVaR 2021: 51-52). Company collective agreements may improve on (but not reduce) what has been negotiated in a sectoral agreement, but they existed in only 11.5 per cent of enterprises with 50 or more employees in 2016, including 7 per cent of industrial and 10 per cent of retail enterprises. However, company collective agreements are the most important for wage setting. In 2016 there were company agreements in 1512 organisations, 32 per cent of the total surveyed by the ministry in a sample biased towards larger organisations, as indicated by their average size of 186.5 employees. Breaking this down, agreements were signed in 70.9 per cent of public sector organisations and in 20.7 per cent of private sector ones (Hašková 2017: 5).

Neither the automotive nor the retail sector is covered by a sectoral collective agreement.

As the Slovak state evolved at the turn of the millennium into an FDI-seeking competition state, the right-wing government believed that undermining the influence of trade unions would attract foreign investors. Several of their reforms curtailed labour law protections and aimed to reduce collective bargaining. In 2006, Slovak voters elected a centre-left coalition which reversed some of the most drastic neoliberal reforms (Fabo and Sedláková 2017: 123, 127; Pula 2018: 176-177).

There are no precise data on the level of collective bargaining coverage in MNCs, but available estimates suggest that, in manufacturing, the level is higher than for domestically-owned enterprises. An overview produced for Eurofound (Czíria 2009) suggested that MNCs were neither agenda shapers nor agenda changers; their main impact appeared to be in increasing wage levels. The most visible agenda, it was reported, was in terms of establishing fairness in labour relations, continuing collective bargaining and improving equality practices. Some MNCs brought new forms of employee financial participation in the form of profit sharing. MNCs also participated in sector-based employer organisations, despite at the same time being integrated into associations in their countries of origin; for example Volkswagen Slovakia was a member of the German chamber of commerce. This was used to influence policy decisions through lobbying, but overt intervention was not typical. Indeed, trade unions at the time viewed the contribution of MNCs in collective bargaining positively, especially with regard to their role as fair social partners in negotiations (Czíria 2009).

3. The automotive sector

The transformation of industrial production from the late 1990s saw the replacement of the previously dominant heavy and armaments industries, with big, multinational motor vehicle manufacturers. This boosted GDP growth and helped to reduce the unemployment rate from a peak of 19.3 per cent in 2001 to 9.5 per cent in 2008. It also brought new forms of industrial relations and a rise in flexible forms of work. Between 2002 and 2006, during the right-wing government, the neoliberal elements introduced in the labour code aimed at labour flexibilisation were praised by international institutions for their attractiveness to foreign investors, notably those in the automotive industry (Martišková and Uhlerová 2016: 4-5). However, Slovakia remained on the periphery of global production networks, being valued mainly as a reservoir of cheap and quality labour in a relatively stable country in central Europe with a developed infrastructure (Pavlínek 2016).

Apart from Volkswagen Slovakia, the largest car company in the country, which came as early as 1991 via a purchase of the established Bratislava motor enterprise, the other final car producers – PSA, later Stellantis, in Trnava in 2003 and Kia in Žilina in 2004 – arrived during this same period with JLR (Jaguar Land Rover) coming to Nitra even later, not starting production until 2018. With that, there were four final car producers in Slovakia and more than 350 suppliers of components, materials and accessories. Employment in the sector in 2020 was 125 100, 5 per cent of total Slovak employment.[3] With a total output of 1.35 million vehicles in 2020, Slovakia had become the leader in car production per capita, recording 229 vehicles per thousand inhabitants in 2020 compared to figures of 126 for Czechia, 66 for Japan and only 62 for Germany (SARIO 2021: 2-10).

The lack of a collective agreement for automotives means that, in this sector, company level bargaining is the most important for setting working conditions (Martišková 2019: 50). The trade union density rate in 2011 ranged up to 75 per cent in Volkswagen Slovakia, while in PSA and Kia it was 25 and 19 per cent respectively (Kahancová et al. 2017: 45).

3. Eurostat database, Database - Eurostat (europa.eu).

In this study the focus is Kia and Stellantis with some comparative points made on Jaguar Land Rover. Volkswagen, the oldest and largest motor manufacturer, is covered in summary form as it has been investigated in some depth elsewhere (Haipeter and Jo 2020; Kahancová et al. 2019; Karmína 2017; Makayová 2021; Martišková 2019).

3.1 Volkswagen Bratislava

There were 11 500 employees in 2020 in Volkswagen (SME 2021: 48) and two trade union organisations. OZ KOVO has been present from the establishment of the company, continuing an organisation from the past and still representing approximately 80 per cent of employees until a split in 2016, when a new trade union, Moderné odbory Volkswagen (MOV; Modern Trade Unions Volkswagen), which later jointly founded SOS, was established. This followed a dispute between the local OZ KOVO organisation within the enterprise and the union's central leadership (Kahancová et al. 2019: 535-536; Karmína 2017). The newly created union initiated a strike in 2017, demanding a 16 per cent wage increase. This was the first labour conflict in the history of the company, involving 70 per cent of employees over six days and ending with agreement to a 14 per cent pay increase over two years (Haipeter and Jo 2020: 13). Remarkably, this was still the lowest wage increase achieved among the three final producers operating at the time (Martišková 2019).

High union density in the oldest, biggest and most important Slovak automotive company reflects the benefits of inheriting a trade union organisation that was already functioning. Two further suggested explanations are that it was helped by the global strategy of Volkswagen, with its stated aim of creating positive, labour-friendly attitudes within the company; and that the Slovak trade unions are supported by the German works councils and by their presence as members of the European Works Council (EWC) and of Volkswagen's global works council. Indeed, labour relations in Volkswagen Slovakia have been depicted as an example of a good, cooperative relationship: negotiations cover not only tasks related to employees, such as organising training programmes and issues of wages and working time, but also some of the company's managerial and investment planning policies (Haipeter and Jo 2020: 13-18).

Volkswagen's position as a trendsetter in the field of collective bargaining and wages is also reflected in its efforts to introduce forms of flexible working favourable to itself. In 2009, following its lobbying of government, the so-called 'Flexikonto' was introduced into the labour code in line with the German model of a working time account that gave employers more scope to vary working hours according to fluctuations in production. The employer could balance working hours over longer time periods following written agreement with worker representatives. After a further change in the law in 2013, this could only be applied if included in a collective agreement (Karmína 2017: 23).

3.2 Stellantis

Stellantis, formerly PSA Peugeot-Citroën,[4] was established in 2003 and had over 4500 employees in 2020 (SARIO 2021: 4). There are two trade union organisations, OZ KOVO and MOV. The decision to build a new Groupe PSA plant in Slovakia was announced in 2003 with construction completed in summer 2005 and line production starting one year later. The investment followed a bidding war between four countries, Slovakia, Czechia, Poland and Hungary, all offering substantial help and subsidies. Hungary and Poland were judged too expensive by the French company because of high labour costs while Poland's infrastructure was judged to be weak; in Czechia too, inadequate infrastructure was also seen as a problem while PSA was already involved with Toyota which had started building a plant there (Pavlínek 2017: 202).

Management did not obstruct the formation of a union organisation in the new factory. In the view of trade union representatives, this reflected the generally favourable culture and management attitudes in France which were then transferred to Slovakia. PSA had, in fact, committed to upholding basic employee rights and extended a global agreement with IndustriAll in 2007 which acknowledged the essential role of trade unions. This, however, did not mean that managers were amenable to union demands; instead, they sought to get their own way through social dialogue, for example in relation to working time accounts.

As top management gradually became aware of the generally weaker position of the unions in comparison with the home country, they sought to shape the structure of the workforce such that only one-third were permanent core employees, one-third were temporary agency workers and one-third were foreign workers (substantially from Serbia). These cleavages weakened the position of the union and made collective action more difficult. It proved possible to work with migrant workers, who were actively approached by union representatives, but with agency workers it was more difficult as such approaches could cause them problems in view of their precarious employment status and the risk to them of losing their jobs. The unions tried to negotiate a limit on the number of agency workers, but the French management flatly refused in the context of the car company's weaker economic performance in 2015-2018, arguing that the economic downturn provided a reason to draw on the maximum legal scope for the use of agency workers (Interview 4.4).

During collective bargaining, trade unionists interacted directly only with Slovak managers who were instructed by French management. There was a strike alert in 2015,[5] when the employer prevented a strike by offering more pay, albeit not on the basic salary but through various bonuses. Difficult negotiations over wages led again to a further strike alert in 2018 and subsequent wage increases were agreed only after

4. Many sources include other versions of the name of this company, for example PCA Slovakia, s.r.o. (PCA means Peugeot Citroën Automobiles); and Stellantis, the official name of the company following a merger with the American-Italian automotive corporation, Fiat Chrysler Automobiles, in January 2021.
5. The terms 'strike alert' or 'strike emergency' are not expressly regulated by any international treaty, nor are these terms regulated by any legislation in force in the Slovak Republic. Despite this, the term can be characterised as a threat to the employer by the employees or their representatives that they intend to stop work in the near future.

mediation. While the union requested a salary increase of 80 euros (average monthly pay in manufacturing in Slovakia in that year was 1103 euros), the employer responded by offering only 27 euros. The final salary increase was 50 euros (Interview 4.4).

Management persuaded workers not to pursue strike action by dividing them into three groups: those who did not want to strike; those who were undecided; and those who were the most militant. They then summoned employees, first those not wanting to strike and then the undecided, pressuring them to sign a form saying that they accepted the employer's offer in the form of an individual addendum to their employment contracts and accompanied by a declaration that they were not willing to go on strike. Employees then approached their union representatives with a pre-prepared form from the employer saying that they were taking their signature off the strike call. Support for strike action fell to about half the workforce; after this there could be no strike and, subsequently, agreement was reached. In the trade union view, the French management – at that time, the top manager in Slovakia was still French although subsequently a Slovak – had clearly pressured the local management to prevent the strike.

Collective negotiations in 2020 were also very difficult, again requiring the intervention of a mediator. The unions pushed for wage increases, justified in their view by the difficult working conditions and intensive production (Briška 2020). In general, relations between management and unions have remained dysfunctional but it was still possible, after tough statements from both sides and almost a year and a half of negotiations, to reach an agreement valid for four years in April 2021.

Apart from the initial recognition of a union organisation, the international context does not seem to have been important to trade unions in Stellantis. An EWC has functioned and this includes three Slovak union representatives. However, the meetings have been rather formal, the Slovak delegates receiving information at a general level on basic matters while a 'closed committee', featuring largely French representatives, deals with more strategic concerns . The company has, however, signed international agreements committing it to conduct social dialogue. Thus, the International Framework Agreement on PSA Peugeot Citroën's Social Responsibility from 2010 states 'its commitment to fundamental human rights, responsible development and the protection of the environment [and that it will] work in co-operation with the trade unions, as well as the International Metalworkers' Federation (IMF) and the European Metalworkers' Federation (EMF)'. References to 'freedom of association, collective bargaining and social protection' are included,[6] but the provisions of the agreement seem purely formal. They have not entirely been implemented in practice; nor are they invoked by unions (Interview 4.4).

6. The agreement is applicable for an open-ended period https://ec.europa.eu/social/main.jsp?catId=978&langId=en&agreementId=134

3.3 Kia

Kia Motors, the third motor manufacturer to come to Slovakia, started construction of its factory in Žilina in 2004 and commenced line production in December 2006, employing more than 3700 workers in 2020 (SARIO 2021: 4). A trade union organisation affiliated to OZ KOVO was established in 2006 and union density reached 25-30 per cent in 2015 (Martišková and Uhlerová 2016: 16; Haipeter and Jo 2020: 15-16). Relations between management and the union differ from those in the Korean mother company, Hyundai Group, but the history of adversarial relations in Korea (Lee and Kang 2012) has influenced developments in Slovakia, particularly in the early period.

The trade union organisation was formed shortly after production began, aiming to propose a collective agreement as soon as possible. The employer side was not interested and union representatives were even accused of violating workplace discipline by dealing with issues other than their primary work responsibilities during working hours. The union was eventually helped by negative media coverage of Kia's attitude, with collective bargaining starting in 2007 but taking seven months to reach an agreement. Both the employer and the trade unions subsequently claimed that the initial difficulties and misunderstandings mostly stemmed from inexperience in collective bargaining (Interview 4.2).

The Korean owner initially pursued a 'union free' policy (as did its factory under the Hyundai name in Nošovice in Czechia) but adapted to Slovak realities. Ultimately, tradition and national legislation – including, for example, commitment to the ILO conventions on freedom of association and collective bargaining, ratified by Slovakia but opposed at the time by the Korean government and Korean business organisations (Myant 2022) – played an important role in the establishment of social dialogue (Martišková and Uhlerová 2016: 15). There was also a Slovak dimension: union representatives referred to a commitment made to Kia by Pavol Rusko, then Slovak Minister of Industry,[7] that there would be no union in Kia (Interview 4.2).

The start was therefore hard: at first the union operated rather in name only and membership was low, while social dialogue at a serious level has functioned satisfactorily only since around 2010. Practical day-to-day management was handled by Slovaks, whose approach differed from that of their Korean predecessors. Despite there being only two Slovaks in the top management of the Kia plant in Žilina (in addition to six Koreans), bargaining was conducted in Slovak with Slovaks in the presence of one Korean coordinator and an interpreter. Fear over the reimposition of the 'union-free' approach was replaced by dialogue with the unions. Management did try to find various means to bypass union representation, however, including the creation of a 'harmony council', or 'harmony rooms', with the aim of creating a direct channel of communication between the HR department and individual workers (Haipeter and Jo 2020: 14-18). The same practice was adopted in Hyundai in Nošovice but, as the power for collective bargaining remained with the union organisations, union representatives did not see it as an essentially anti-union act (Interview 4.2).

7. Rusko resigned from the government in 2005 after accusations of corruption in business affairs.

Thus, although Korean companies have different traditions and attitudes, the transfer of domestic practices to Slovakia was limited by the ability of trade unions to use Slovakia's legal framework and to gain the support of public opinion.

Nevertheless, some difficulties have persisted. A legal case from the former president and vice-presidents of the union, who were dismissed after conflicts with the employer, remains outstanding with a final judgement awaited after a lower court ruled in favour of the trade unionists. Management has made some efforts to undermine the union position by calling employees – not just union members – into meetings during the negotiation process at which they 'explain' to them their approach to bargaining. If that proves insufficient, they can also choose to make amendments to individual contracts, offering a bonus or a grade increase, thereby discouraging participation in the collective bargaining process (Interview 4.2).

A turning point was the 2017 collective bargaining round, with unions making an ambitious demand for a 10 per cent wage increase, backed by employees' eagerness for strike action. After the union had collected signatures to declare a strike, the employer came up with an offer only 10 euros lower than the union's demand. This was accepted and the mood was that the action should be considered a success. The union side was helped by pressure from the leadership of OZ KOVO in 2017, which pushed the management of Kia to concede. There was also political pressure from Smer – sociálna demokracia (SMER-SD; Direction – Social Democracy), the dominant party in the government coalition.

International contacts have had limited practical effects. The Kia union participates in a loose network organised by the Korea Metal Workers Union, bringing together Hyundai-Kia workers throughout the world. The international solidarity process has not, however, been fully realised, with unions at the Korean parent company uninterested in narrowing the wage gaps (Haipeter and Jo 2020: 16-17). However, the Kia trade union does have good relations with colleagues at Hyundai's Nošovice plant which is connected to Kia in terms both of ultimate ownership and through the production process: 'We produce engines for them and they produce gearboxes for us' (Interview 4.2). The trade unionists communicate with each other, exchanging experiences of collective agreements and negotiations, and work together in the IndustriALL Automotive Commission through which they have contacts with Korean trade unionists. However, the Korean trade unionists there appear to their Slovak colleagues to be reserved, preferring to solve everything formally via delegates rather than build informal, personal relationships . Consequently, international cooperation appears to the latter 'a bit played out' (Interview 4.2), with the Korean unions appearing concerned to keep production at home while pragmatically leaving those in eastern Europe to do the best they can.

3.4 Jaguar Land Rover

The newest automotive factory in Slovakia is the British-Indian firm Jaguar Land Rover, which started production from its plant in Nitra in autumn 2018. By 2020 it had 3300 employees (SARIO 2021: 4; SME 2021: 49). As in Volkswagen and Stellantis, there are two trade union organisations: Tradičné odbory JLR (TO JLR; Traditional Trade Unions JLR) is affiliated to OZ KOVO; and the other is affiliated to MOV. The latter is the dominant organisation and leads collective bargaining within the company; it was the first union organisation in the factory while TO LJR was formed in 2018 following dissatisfaction with the first collective agreement bargained by the MOV-affiliated union.

Management did not obstruct the formation of a union organisation and has not visibly exploited the points of difference between the two union organisations, being credited with a more 'human attitude' in negotiations. However, wages are lower for manual workers than in the other car plants. When JLR started recruiting, it seemed that salaries and working conditions would be significantly better, reflecting the then low unemployment rate and a high level of competition for an ever-shrinking supply of experienced workers (Interview 4.4). It was reported that interested applicants, even experienced ones from other automotive plants, were coming from all over Slovakia (Galan 2019). Despite the pay levels, there has been no strike activity.

Regarding international contacts TO JLR initiated the creation of the European works council as OZ KOVO is part of transnational trade union networks. However, the impact of Brexit, the Covid-19 pandemic and the company's economic performance has left this as unfinished business (Interview 4.4).

4. The retail sector

Domestic trade is one of the most important parts of the service sector in Slovakia. Wholesale and retail trade together accounted for 256 500 employees in 2020. The retail sector in Slovakia, as elsewhere in central and eastern Europe, is dominated by multinational companies whose total market share grew from 15 per cent of the total in 1998 to 30 per cent in 2000 and over 50 per cent in 2003. In 2004, based on the level of FDI, six foreign-owned retail companies were ranked within the top ten retail companies in Slovakia (Dries et al. 2007: 228-230) and, in 2012, 27 per cent of all employees in the retail sector were employed in foreign-owned companies while, as in other countries, domestic ownership predominated among the many, smaller independent shops (Kahancová 2016: 58). In terms of sales, the biggest company is Lidl with turnover of 1.52 billion euros, followed by Tesco with 1.40 billion, Kaufland with 1.30 billion and Billa with 0.7 billion.[8]

Trade union density in the retail sector was 6 per cent in 2017 (Kahancová et al. 2018: 23). Odborový zväz pracovníkov obchodu a cestovného ruchu (OZPOCR; Trade Union Federation of Employees in Retail and Tourism) is the main trade union, representing workers in important MNCs including Tesco, Billa and Metro (Kahancová 2016: 63). Lidl is a special case in that employees have been represented by OZ KOVO since 2019.

8. https://finstat.sk/databaza-financnych-udajov?Activity=maloobchod&Region=&SalesFrom=&Employee=&PerPage=20&Sort=sales-desc&Tab=

There are two employer organisations in retail. Zväz obchodu a cestovného ruchu (ZOCR; Federation of Commerce and Travel) actively participates in social dialogue negotiations and in the tripartite system through its membership of one of the national employer confederations (Kahancová 2016: 63; Martišková et al. 2021: 13). A second organisation, Slovenská aliancia moderného obchodu (SAMO; Slovak Modern Retail Alliance) was created in 2016 by MNCs which had left ZOCR. However, this organisation has not fulfilled the legal requirements for participation in collective bargaining (Kahancová et al. 2018: 23).

Lidl and Tesco have been selected for in-depth study here. In Lidl, a union organisation has recently been established and made itself visible with an active presence on Facebook; whereas Tesco has engaged in social dialogue over a long and stable period since the 1990s.

4.1 Lidl

Lidl came to Slovakia in 2004 and had 5500 employees and 153 outlets across the country in 2021, including three logistics centres. It presents itself as the chain with the best wages and clearly achieved this at the time of a wider union wage campaign in 2016 by making a 23 per cent increase for employees, including new hires, covering 90 per cent of employees in its stores and logistics centres. Since then, wages have increased every year, primarily in response to rises in the minimum wage. Lidl's business model has also enabled it to take first place in both sales and profits.

The union's roots at Lidl go back to 2016 (Interview 4.1) when the third, and most modern, logistics centre was completed in Sereď. Another warehouse company operated next door to the new logistics centre and some of its employees switched to Lidl. Finding no union in their new workplace, and having previously been organised, they established a structure in their new workplace. Knowing from experience in Czechia that Lidl had a reputation for hostility towards unions, lawyers from OZ KOVO advised against establishing a new organisation in the workplace that would have to be registered with the Ministry of the Interior. Instead, members were registered in a separate section so that Lidl's management would have no disciplinary power over trade union representatives.

Up to March 2019, the sectional union operated only in the logistics centre and membership was stagnant. However, a new president of the organisation was able then to start wider recruitment: a Facebook page was created as a cheap, accessible and, in the Slovak trade union environment, innovative tool for informing workers about the union at Lidl and recruiting them as members. There was also a private Facebook group where union members were kept informed about internal matters. In the autumn of 2019, a basic union organisation in Lidl was formally established. The employer clearly did not want a trade union but, according to union representatives (Interview 4.1), at least grudging respect was accorded because Lidl's union remained under OZ KOVO as the strongest sector union in Slovakia.

However, negative attitudes were still transmitted by the Slovak management. In Lidl, the employer manages social affairs in the company and offers various fringe benefits. The formation and operation of the union organisation was presented as an 'insult' to the Slovak managers in front of the German management. It was a hard fight to establish a collective agreement and strike action seemed difficult given the structure of the company and the low union membership. The trade union put forward a proposal in July 2020 and, in February 2022, negotiations were held with the assistance of a mediator. An agreement was finally reached on 28 March which included granting the chair of the union long-term paid release to carry out her union activities.

Membership growth has been hampered by a lack of employee awareness and also because face-to-face meetings with shop teams are very difficult to organise. At least up to the recently signed agreement, the paid release of union representatives for union activities was not allowed and the chair worked for two days and carried out union business for two days which was insufficient for the work that needs to be done. Lidl has also not agreed to the deduction of union dues so all the paperwork in this regard is handled by the chair: 'This is exactly the way of our employer; it's designed to make me feel fed up' (Interview 4.1). There has also been an attempt to disrupt union information via the Facebook page, alleging that it is in breach of the law on the protection of personal information. Meanwhile, no trade union office is allowed on Lidl premises.

Lidl's hostility towards trade unions is well-known in other countries and international contacts from the Slovak side remain in their infancy.

4.2 Tesco

In 2020, Tesco had 154 outlets in various formats (small express, supermarkets and hypermarkets plus three distribution warehouses, six smaller food outlets under the Žabka brand name and 18 petrol stations) and approximately 8850 employees. Tesco acquired its Slovak stores in 1996 from Kmart which had, in turn, previously bought the Prior shops inherited from the period of state socialism. The company thus fits into the broader pattern in which unions exist in organisations inherited from the socialist period but which sees establishing union organisations in greenfield retail chains founded after 2000 being a much more challenging process.

Unions in the new outlets were created only gradually, but social dialogue was accepted from the beginning without obstacles as Slovak managers too were used to working with unions. Although union organisation is low, unions are still treated with respect. 'They [Tesco] take us as a serious partner' (Interview 4.3), in contrast to the situation in Poland, where low union organisation hindered the signing of a collective agreement (Myant 2020: 30-31). Thus, collective bargaining was taken sincerely by both sides from the beginning with sector union officials participating at company level and signing the agreements. The trade union side considers Tesco collective agreements to be well drafted, with a good system of benefits for employees, and contrasts this with an interpretation of Lidl's system as offering only good wages. There have been no strikes or strike alerts as there was not seen to be any reason to engage in this way, even in

2015 when Tesco was threatening to close stores or leave central Europe altogether. In the end, there were no redundancies in Slovakia although in Czechia trade unionists did declare a strike alert[9], with that threat enabling them to gain publicity for their grievances.

International contacts have also favoured social dialogue. The European Works Council includes powerful UK trade unions which are respected by UK Tesco management. This has helped ensure that there are no problems with trade union recognition and acceptance. The Tesco European Works Council Agreement regulates the basic rights of the unions and ensures a flow of information on Tesco's business performance. It also deals with practical things such as the introduction of automated cash registers and dealing with Covid-19 pandemic measures. The EWC is seen by Tesco union representatives as not just a formal institution but as something embodying a vibrant process (Interview 4.3).

Similarly, the involvement of the Slovak retail sector union in the UNI Europa federation contributes to the improvement of working conditions at enterprise level: MNCs are aware of their involvement in European structures, so they are concerned about the public exposure of bad practices (Interview 4.5). Tesco trade unionists also attend other activities such as the V4 retail trade union meetings in Warsaw or Budapest, encompassing a joint project by UNI Europa and other organisations seeking to strengthen the representation of employees from central Europe in international companies. Tesco management gives its representatives paid time-off for attendance. Indeed, there seems to be no problem with release for trade union activity and it is also enshrined in the collective agreement.

5. Conclusion

There are three cases in this chapter in which unions were recognised without major issues while two cases presented complications: the management in Kia, following its home country tradition of hostility towards unions, did not anticipate recognising them; and, similarly in Lidl, obstacles were created to the formation and functioning of trade unions.

Divergence also extended into the ways in which unions could operate and the practices of social dialogue. Experiences ranged from a smooth functioning, as in Tesco, through a stable social dialogue, as in Stellantis, Kia and JLR, albeit with problematic areas during collective bargaining. Stellantis is an example of opportunistic adaptation in which the company switched from an assumption that domestic practices would be transferred to one in which it engaged in somewhat arbitrary management methods, reflecting the host country's practices, after union organisation was identified as being weak. In the case of Lidl, management was more openly hostile. There is some willingness to share information and to consult, but not to engage in collective bargaining.

9. https://ekonomika.pravda.sk/ludia/clanok/342480-tesco-ma-tazkosti-na-slovensku-prepustat-nebude/

Employers have exploited the potential for agreements with individual employees in Kia and Stellantis. This tactic for undermining collective bargaining is not uncommon in periods of tension during negotiations and when a strike is imminent: the employer's aim is to paralyse collective bargaining and block strike action. In most cases, the benefit is often lower than what the employee is entitled to under the collective agreement, but it is guaranteed by the employer. Even though trade unions oppose such practices, individual contracts are assumed to be legally valid if mutually agreed by both parties. Arguably, such conduct is contrary to the 'good manners' which the labour code mentions as one of the sources of labour law, although how this formulation might be used in relation to specific management practices is unclear (Olšovská et al. 2017: 35-37). There may be a violation of the requirement for equal pay for equal work through such individual agreements, but that has yet to be tested in law in Slovakia. Furthermore, even if trade unions do decide to challenge such a procedure in the courts, the legal process could take several years, making it of little practical value in a specific dispute.

It was not the intention of multinational companies fundamentally to change or influence industrial relations in Slovakia; they came to take advantage of low-cost and skilled labour, investment incentives and the proclaimed weak state of trade unions. Despite the difficulty in pinpointing the impact of foreign owners on social dialogue, this is recognised by most of the trade union representatives interviewed although any toughening of a management stance could stem from domestic Slovak managers feeling insecure and wanting to demonstrate that they are in control. In the case of Tesco, the impact was positive as the union is well established in its home country. This was also true for Stellantis and JLR, albeit with the employer in the former case shifting as it sensed the weakness of the Slovak union.

In these cases, bad publicity did not play a significant role with the small exception of the Kia case in the early period. Also, despite the declarations of trade unions (especially OZ KOVO) on the importance of European trade union structures and European social policies, and their benefit to trade unions in Slovakia (Čambáliková 2015), only the Tesco case demonstrated their relevance. In other cases, international cooperation and activities were undertaken only at a formal level (Stellantis and Kia) or were virtually absent (such as Lidl).

Across the cases examined, Tesco had the highest quality social dialogue. This can be attributed to two fundamental factors that do not apply to the other cases, with the reservation that JLR has been present for too short a time to justify firm conclusions. One factor is the seamless recognition of unions, reflecting the presence of good relations and social dialogue in the MNC's home country; and the second is active and fruitful, rather than formal, international cooperation.

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Annex

List of interviews

ID	Company	Position and trade union affiliation	Date of interview
Interview 4.1	Lidl	Representative, OZ KOVO	October 2021
Interview 4.2	Kia Slovakia	Representative, OZ KOVO	October 2021
Interview 4.3	Tesco	Representative, OZ Tesco	October 2021
Interview 4.4	Jaguar Land Rover, Stellantis Trnava	Representatives, OZ KOVO, TO JLR; OZ KOVO Stellantis	November 2021
Interview 4.5	Trade Union Federation of Employees in Retail and Tourism (OZPOCR)	Union official, OZPOCR	September 2019